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GEOGRAPHY

Italy is located in Southern Europe, on a peninsula extending into the central Mediterranean Sea, northeast of Tunisia. The total area of Italy is 301,230 km². The land area is 294,020 km². Italy's territory includes Sardinia and Sicily. The land boundaries total 1,899.2 km; shared with Austria (430 km), France (488 km), Holy See (Vatican City) (3.2 km), San Marino (39 km),

Slovenia (199 km), and Switzerland (740 km). The climate of Italy is predominantly Mediterranean; Alpine in the far north; hot, dry in the south. The terrain is mostly rugged and mountainous; some plains, and coastal lowlands. Natural resources include mercury, potash, marble, sulphur, dwindling natural gas and crude oil reserves, fish, and coal.



DEMOGRAPHICS

The population of Italy reached 57.6 million in 1996. Fifteen percent of the population was under 14 years old in 1995, 68 percent was between 15 to 64 years, and 17 percent was 65 years and over. The population growth rate was 0.21 percent in 1995. The birth rate was 1.089 births per 100 population. The death rate was .978 deaths per 100 population. The net migration rate was 1.03 migrants per 1,000 population. The nationality is Italian. Linguistic divisions include small clusters

of German-, French-, and Slovene-Italians in the north and Albanian-Italians and Greek-Italians in the south. Roman Catholicism at 98 percent is the predominant religion. Languages spoken in Italy include Italian, German (parts of Trentino-Alto Adige region are predominantly German speaking), French (small French-speaking minority in Valle d'Aosta region), and Slovene (Slovene-speaking minority in the Trieste-Gorizia area).

ECONOMIC OVERVIEW

Since World War II, the Italian economy has changed from one based on agriculture into a ranking industrial economy, with approximately the same total and per capita output as France and the U.K. The country is still divided into a developed industrial north, dominated by private companies, and an undeveloped agricultural south, dominated by large public enterprises. Services account for 48 percent of GDP, industry 35 percent, agriculture 4 percent, and public administration 13 percent. Most raw materials needed by industry and over 75 percent of energy requirements must be imported.

After growing at an average annual rate of 3 percent in 1983-90, growth slowed to about 1 percent in 1991 and 1992, fell by 0.7 percent in 1993, recovered to 2 percent in 1994 and declined again to 0.8% in 1996. In the second half of 1992, Rome became unsettled by the prospect of not qualifying to participate in EU plans for economic and monetary union later in the decade; thus, it finally began to address its huge fiscal imbalances. Subsequently, the government has adopted fairly stringent budgets, abandoned its highly inflationary wage indexation system, and started to scale back its extremely generous social welfare programs, including pension and health care benefits. Monetary officials were forced to withdraw the lira from the European monetary system in September 1992 when it came under extreme pressure in currency markets.

For the 1990s, Italy faces the problems of pushing ahead with fiscal reform, refurbishing a tottering communications system, curbing pollution in major industrial centres, and adjusting to the new competitive forces accompanying the ongoing expansion and economic integration of the European Union.

Italy's economy has recovered strongly from 1993's recession. Growth in 1995 was forecast at 3.0 percent. A strong export performance, driven by the weak lira, has been key to this recovery. Growth in domestic demand over recent months has led to a widening of the recovery, although exports continue to play an important role. Industrial production remains strong.

Inflation, which was below 4 percent for the first time in 25 years in 1994, returned as a central problem in 1995. Through June 1995, inflation was 5.8 percent year-on-year rate and was subsequently measured at 2.2% year-to-year rate in the first months of 1997.

The biggest challenge facing Italy remains the imbalance in public finances. As of September 1996, Italy's public debt reached C\$1.96 trillion which made up the highest public debt load of any ECE country in absolute terms. Since 1992, economic policy in Italy has focussed primarily on reducing government budget deficits and bringing the national debt under control. Successive Italian governments have adopted annual austerity budgets with significant cutbacks in spending, as well as new revenue-raising measures. Italy has enjoyed a primary budget surplus, net of interest payments, for the last three years, and was expected to do so again in 1995. The deficit declined in 1994 to 9.6 percent of GDP, down from 10 percent in 1993 and declined once more in 1996 to 7.0 percent of GDP. According to government calculations, the deficit could fall as low as 3.0 percent of GDP in 1997, due to massive supplementary budget measures and to export generated tax revenues. The recently issued Government Economic Program Document calls for a level of 2.8% in 1998, 2.4% in 1999 and 1.8% in the year 2000.

POLITICAL OVERVIEW

Italy is a republic whose government is divided into 3 spheres of power: the **Parliament**, the Government (which performs **an** executive function), and the Judicial. **The** President of the Republic (who has limited responsibilities in all 3 spheres) and the constitutional court help to maintain an equilibrium between these branches. The President of the Republic's most important functions are to nominate the Prime Minister and his cabinet, and to dissolve parliament.

Parliament consists of the Chamber of Deputies and the Senate. Over time, the Chamber of Deputies has become the leading body, but each is equivalent in power. A large part of the work of Parliament takes place in committees.

The executive functions are exercised by the government, which consists of the Prime Minister and his Council of Ministers. **The** Prime Minister is the President of the Council and the leading figure in the government. The Prime Minister's power is derived from the day-to-day running of the government, chairing the council and setting its agenda, as well as signing legislation. There are 22 ministers, including 4 without portfolio. The ministries form the basic structure of the state's public administration by implementing the policies and laws of the state.

The justice system consists of **4** branches (constitutional, common, **administrative**, and special), which are essentially **independent** of each other.

Although the power of the state is primarily centralized, the 20 regions have authority for the administration of some public functions and for enacting certain specific legislation (e.g., health care).

An important factor in the government and the state is the power of the political parties. Because no party commanded a parliamentary majority for almost 45 years, coalition governments were the norm. Any return to a political government following elections is expected to be based on a coalition, whether of the centre-right or centre-left.

Overall relations between Italy and Canada are mutually beneficial and highly diversified, although less developed than what might be expected between G-7 members. The freer movement of capital, the elimination of currency controls, the removal of protectionist Italian and European Union measures and the fight against corruption, will enhance these ties.

Canada and Italy are both members of the G-7, the United Nations, NATO, the European Union's Statistics Bureau, the World Trade Organization, the Organization for Economic Co-operation and Development, and the European Bank for Reconstruction and Development.

The fact that Canada is home to more than one million people of Italian origin reinforces industrial, business and cultural ties between the two countries.

TRADE POLICY

Italy offers tremendous commercial potential for Canadian commercial interests. A wealthy country, it is the world's 5th largest economy. Italy ranks as Canada's 11th largest trading partner. Two-way trade amounted to almost \$4 billion in

1994, an increase from the \$3 billion total in 1993. Canadian exports to Italy amounted to \$1.3 billion, a 31-percent increase over 1993 and Italian imports were \$2.6 billion, an increase of 33 percent over the previous year.

HOUSING SECTOR

Overview

In 1995, Italy had approximately 20.3 million households within its population of 57 million inhabitants. In the previous year, a total of 43 billion ECU (1 ECU = 1,908.83 L) had been allocated to new housing (50 percent), renovation and housing rehabilitation (50 percent).

Local Technology

Italians have never been positive toward wood-frame housing. Official data shows construction types preferred in 1994 were: 42.8 percent prefabricated reinforced concrete housing; 30.3 percent reinforced concrete; and 10.5 percent other construction types. These figures indicate that Italians focus on long-lasting and solid housing.

It was only recently that the housing market began to consider wood, properly treated and used, for use outside its component applications (windows and doors) as a structural construction material. However, this is mainly limited to the construction and rehabilitation of sports facilities and some types of housing types built in Northern Italy.

According to the *Federlegno Arredo* (National Wood Products Association), the prefabricated wood-frame housing sector has made way to a more dynamic market for lumber, wood panels, plywood, wood doors and windows. In the 1993-94 recession aftermath where the downward trend in the area of housing investments had resulted in a decrease in the demand for such products, the overall production volume registered a 3.2 percent increase in 1995. Major increases were recorded for plywood (11.6 percent), fibreboard (15.6 percent) and lumber (19.9 percent). Fir accounts for close to 90 percent of the wood used for construction in Italy. Fir is preferred by tradition as well as for its adaptability and low cost.

Wood-frame Housing

There is a very limited market for Scandinavian, Russian and Canadian prefabricated wood-frame housing (whether timber-frame, post-and-beam, panelized, log or other similar constructions). In

Italy, traditional concrete and brick construction projects continue to prevail. The only exception to the rule would apply to the Austrian log or wood panel homes commonly found in the Dolomite Mountains region (Alto-Adige) amid the German ethnic community.

Despite the above, several thousand wood-frame homes, suitably clad and lined with non-combustible and fire-retardant material that increase the selling price substantially, have been built in Italy over the last 10 to 15 years. These construction projects reached their peak in the mid-1980s and, at the end of 1991, the market was about 500 to 600 units annually, mostly used as secondary residences.

Unfortunately, the fiscal measures introduced by the government in January 1992 withdrew all tax incentives toward secondary home-buying and simultaneously increased the cadastral rates and real estate taxes. This will undoubtedly have a significant impact on the future of wood-frame housing demand and construction.

As of yet, no building code has been prepared to regulate wood-frame housing specifically. Local authorities require that the drawings and calculations for each wood-frame construction be approved by a local chartered engineer or architect (member of the appropriate professional association) prior to their issuing any building permits.

As a rule, most local authorities would be reluctant to allow all-wood housing constructions. They would likely insist on fire-retardant cladding materials for the outside, such as brick, natural stone or marble and show similar concern for the inside walls. Again, the Dolomite area stands out as an exception because of the prevailing differences in culture and housing traditions. Consequently, the region has its own set of construction by-laws.

With the lack of a national standards guide, Italian designers and specifiers have come to resort to the German DIN Standards as a reference. The European Union is in the process of introducing a Building Code in connection with wooden structures, the Eurocode 5, which is largely based on German experience and DIN standards. As the

application of Eurocode 5 will soon become mandatory, it is recommended that all Canadian exporters get fully acquainted with this document as soon as possible. The code includes, among others, specifications on wood treatment for construction purposes. As previously mentioned, these specifications are based on the German standards where the technology first emerged in Europe. Today, all European countries are progressively adhering to EU standards and regulations. Moreover, the vetting procedure remains quite important for Italian would-be home-owners in order to obtain proper insurance coverage and financing from mortgage institutions.

Italian tariffs in the 8 to 10-percent range for prefabricated wood housing structures are equivalent to those currently found in all EU countries.

Windows

Wood joinery recorded a 2.6-percent increase in 1995 over the previous year. From a 46.6 percent decrease in 1994, PVC and metal door and window imports continued to drop by 18.2 percent in 1995. Meanwhile, the wood door and window sector increased by 54.5 percent. These figures tend to confirm the emerging focus on wood-frame housing in Italy. In 1995, wood door and window sales further increased, particularly in the Northern part of the country. Sales were expected to remain stable in the first half of 1996 and to slightly climb later due to an increase in wood window sales in Northern Italy.

The boom in the renovation and housing rehabilitation sector has led to increased demand for housing materials such as softwood (used for windows and doors), laminates, particle board and plywood. European standards must be met in order for countries to allow these products to be imported from Canada.

Outside Northern Italy where wood-frame windows are commonly used, it is very difficult to enter the overall window market. The country can count on advanced manufacturing capacities for window-making (e.g., Alcan aluminum windows). Wood windows are not subject to any specific standards and are usually custom-made. Table 1

shows the distribution of wood window imports in Italy.

**Table 1:
Distribution of Wood Window Imports in Italy**

| Country | Value (%) |
|--------------|------------|
| Denmark | 55.0 |
| Sweden | 27.1 |
| Slovenia | 7.4 |
| Austria | 3.4 |
| France | 3.3 |
| Guatemala | 0.7 |
| Romania | 0.5 |
| Other | 2.6 |
| TOTAL | 100 |

**Table 2:
Distribution of Wood Door Imports in Italy**

| Country | Value (%) |
|--------------|------------|
| Romania | 33.1 |
| Indonesia | 11.7 |
| Nigeria | 9.2 |
| Malaysia | 8.2 |
| Guatemala | 8.0 |
| Austria | 4.1 |
| Congo | 3.8 |
| Germany | 3.8 |
| Belgium | 3.0 |
| Other | 15.1 |
| TOTAL | 100 |

More standards are found in the door production industry. While part of Italy's volume is imported from Asia (Indonesia and Taiwan) to be used as low-scale flat doors, a small number of cedar doors is provided by Canadian exporters. Table 2 shows the distribution of wood door imports in Italy.

Laminated wood has become a growing market with such products imported mainly from France and Austria. Distance and weight are definite barriers to Canadian exporters contemplating this market.

Lumber Wood and Other Commodities

Italy has always been a significant and well-established importing market for upper-grade

Canadian hardwood and softwood lumber. Canadian exporters have developed efficient marketing strategies and have consequently made themselves known by Italian importers. Hardwood lumber imports nevertheless remain stable, in line with the overall state of the Italian housing market.

For quite some time now, Canada has lost the joist wood market to Russia and Scandinavia. Local experts predict that Canada might never recover since COFI marketing efforts are soon coming to an end.

HOUSING MARKET ACTIVITY, NEED AND DEMAND

Housing Construction Activity

In the last few years, new residential output has only reached 53 percent of the average registered in the 1970s. In fact, residential housing output had declined from 444,000 units in 1982 to 268,000 in 1994. Increasingly tight household incomes, the uncertainty of employment, and high taxes on construction are to blame for the current weakness of this industry.

New Residential Construction

A total of 267,600 dwelling units (which include 75,100 single-family homes) were built in 1994 for an overall investment of 21.4 billion ECU, a 6-percent decrease over 1993. Euroconstruct expected the downward trend to continue well into the 1995-96 period with a 3.6 percent decrease followed by another 0.1 percent decrease, but the forecast is for a 0.4 percent average growth rate in the 1996-2000 period. Housing completions and forecasts, in thousands, are shown in Table 3.

Housing Demand

Demand for housing construction will be affected mainly by the following:

- low birth rate and progressive reduction in the size of households;
- high property tax rate (75 percent of the population own their own dwellings); and

- reduced mobility of the population.

Medium-term forecasts show that qualitative changes are currently taking place and that steadily increasing fixed capital is invested in housing construction. Some of these changes are:

- a changing demand leading to more sophisticated constructions;
- new housing needs focussing on quality building materials and designs;
- innovative marketing from contractors promoting building materials that meet the emerging consumer and designer requirements; and
- aggressive competition among housing contractors in connection with product innovation and customized housing construction.

Added to the fiscal measures regarding property, already introduced in 1992, the Italian government chose to add a further municipal tax that applies to all types of residential and commercial construction as well as on the land itself. These taxes were an attempt to somewhat alleviate the country's chronic deficit. As a result of these heavy fiscal measures and also due to the perennial land shortage and high cost thereof, only the upper-income households are now able to afford new housing that is not intended for permanent residential purposes.

Table 3:
Housing Completions and Forecasts (in thousands)

| Housing | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|------------------------|-------|-------|-------|-------|-------|-------|-------|
| 1 + 2 Family dwellings | 74.3 | 72.3 | 70.2 | 70.3 | 70.3 | 70.5 | 72.0 |
| Flats dwellings | 146.3 | 143.0 | 139.0 | 139.0 | 139.6 | 140.6 | 140.0 |
| Houses | 15.9 | 16.8 | 16.0 | 15.9 | 16.0 | 16.1 | 16.1 |
| Total* dwellings | 267.6 | 252.4 | 245.0 | 245.0 | 245.0 | 245.0 | 246.0 |
| Houses | 75.1 | 74.5 | 72.2 | 72.0 | 72.1 | 72.5 | 72.0 |

* Includes non-residential construction and extensions.

Source: Euroconstruct, European Construction to 2000, October 1995.

Repair and Maintenance

In 1994, the housing repair and maintenance investment was worth 21.79 billion ECU, 2.6 percent higher than in 1993. Euroconstruct predicts a 2.7-percent growth in 1995 followed by a 3.3-percent growth in 1996 and a yearly average of 3.1 percent over the 1996-2000 period. This increase is based on the following factors:

- increased household spending; and
- adjustment to EU standards in various areas such as electric wiring and heating.

By the year 2000, the housing repair and maintenance is predicted to outweigh new housing construction figures. This will undoubtedly create an impact on the overall construction market.

Factors Affecting the Demand for Housing

The current birth rate of under 1.3 children per couple implies that the only short-term population increases can originate from immigration. In the medium term, the 65 and older age group will grow significantly. Meanwhile, the number of households will continue to increase, at least in the next decade, as a result of progressively smaller-sized households.

At present, the government's main objectives are to reduce the public deficit and remove the uncertainty brought on by the political instability that reigns in Italy. Euroconstruct predicts a 3 percent yearly increase in the country's GDP for the next 5 years, with a rising housing demand as a result of increased investments which are expected to grow at a rate of 5 percent per annum. Export activity growth stands as a crucial factor in the Italian economy.

EXPORT OPPORTUNITIES AND STRATEGIES

Local Industry and Foreign Competition

The housing construction industry is extremely fragmented in Italy. There are more than 100,000 building contractors and master builders in the country. As opposed to Canada, it is difficult to find a local supplier capable of providing all the necessary housing elements. Most local companies already have partnership or distribution agreements for the various products required. These products are mainly imported from Austria but also from Scandinavia, Russia and Switzerland.

Local technicians are becoming familiar with the Canadian wood-frame housing process. Several hundred copies of a document explaining the technique have been distributed by the Canadian Consulate located in Milan over the last 15 years. Among other housing construction materials used, local building contractors have already been using Canadian lumber such as CLS, SPF, softwood, plywood and Western Red Cedar, all of which mostly originate from British Columbia.

Three companies specialize in wood-frame housing in Italy:

- Euroholz-Strutture in Legno Lamellare;
- Holzbau Leimbinderwerk; and
- Trentino Legno SPA.

These companies adhere to DIN Standards and ISO Certifications and provide architectural services combined with construction assistance. Production is increasing in view of the gradual decline in the prejudices toward wood as a building material and also due to more advanced applications and quality control methods.

Canadian Presence in the Italian Housing Market

Several Canadian log and wood-frame housing exporters have attempted to penetrate the Italian market but their efforts merely resulted in a few scattered sales to individual customers.

Approximately 140 Canadian companies currently export to Italy and many of them are wood-product manufacturers. Among them are major companies such as Noranda, MacMillan Bloedel, Northwood, Fletcher Challenge and a few Canadian agents: Balfour Guthrie Forest Products BC, Balke Soft Wood, Canfor Corporation, and Evans Forest Products.

Among Western European countries in 1994, Italy was Canada's 3rd largest customer with imports estimated at US\$114 million for the selected product categories, a 12-percent increase over 1992 whereas total imports in Italy for these products decreased by 5 percent over the same period to reach US\$3.49 billion in 1994. For the selected product categories, Canada holds a 3-percent market share of the overall Italian market.

Commodities account for the bulk of Canadian exports to Italy: sawn coniferous and non-coniferous wood, plywood, non-coniferous veneer, granite and sandstone amounted to 90 percent of all Canadian exports destined to Italy in 1994. Canada holds a 24-percent market share for plywood (compared to 16 percent in 1992) and a 7-percent market share for sawn coniferous wood (compared to 6 percent in 1992).

In the 1992-95 period, the fastest growing trade patterns from Canada to Italy belonged to the categories listed in Table 4 below:

Table 4:
Fastest Growing Trade Patterns, from
Canada to Italy, by Category

| | | |
|-------------------------------|-------------|------------------|
| Electric signalling apparatus | 139 percent | US\$1.5 million |
| Non-coniferous veneer | 74 percent | US\$4.5 million |
| Plywood | 73 percent | US\$12.3 million |
| Granite, sandstone, and so on | 32 percent | US\$8 million |
| Prefabricated buildings* | | |

* although still very limited with only US\$0.5 million of the US\$15.4 million total imports in 1994.

For the same period, the fastest growing product categories in terms of total Italian imports are shown in Table 5.

**Table 5:
Fastest Growing Product Categories**

| | | |
|-------------------------------|------------|-----------------|
| Non-coniferous veneer | 17 percent | US\$150 million |
| Plywood | 16 percent | US\$50 million |
| Electric signalling apparatus | 50 percent | US\$114 million |

Opportunities

Lumber and Other Commodities

There is a sizeable potential market for Canadian softwood for exporters who conform to local drying specifications and promote their products on a regular basis.

Wood-frame Housing

With the residential housing market slowdown, there might be opportunities for Canadian wood-based building systems in commercial and institutional applications (boating, sports, country clubs, etc.) although North American designs need to be modified to meet local traditions in connection with cladding materials. The Italian style in terms of shapes and proportions must also be taken into consideration.

Canadian Strengths and Weaknesses

Canadians should take advantage of their expertise and know-how in site management which is a definite asset and competitive edge over the European builders. This expertise and know-how should focus on reaching small construction sites importing limited quantities of pre-assembled parts. In Europe, most parts are manufactured and assembly work rarely occurs on-site in view of the fact that European workers are reluctant to work in the rain.

General and commercial technical constraints need to be addressed by current and prospective Canadian exporters in the Italian market:

- Housing must be earthquake-resistant.
- Similar to German market conditions, local chartered engineers or architects must certify

wood-frame housing according to the appropriate existing building codes, if any. These professionals are good potential entries and partners.

- Mastering the country's language and metric system are essential to penetrate the market in order to be able to deal with local builders and dealers. To date, this has been the most challenging barrier hindering commercial expansion of Canadian wood-frame housing in this market.
- In view of the fact that most local companies are already partnered with foreign competitors from Austria, Scandinavia, Russia and Switzerland, Canadian exporters must develop attractive incentive packages to attract potential partners that offer a chance to enter the Italian housing market.

Strategic Approach

Canadian wood-frame housing manufacturers contemplating the Italian market need to find a local partner in search of new products. The transfer of Canadian site management know-how could be a key incentive.

Prefabricated housing exports are not very successful despite Canada's years of efforts to market these systems through COFI. Prefabricated housing can be manufactured as efficiently in Italy as it is in Canada. The only difference remains in the Canadian efficiency in the area of on-site construction and cost control. Unfortunately, this factor alone does not seem to outweigh the costs associated with importing such products.

Window exports to Italy are as challenging although there might be some potential for door exports conditional to partnerships with well-established local door manufacturers in search of a wider range and variety of products.

There are two major trade shows held in Bologna that current and prospective Canadian exporters must attend: the SAIE (general construction) and the SAIE2 (joinery, doors, windows).

BUSINESS ENVIRONMENT

Business Customs

By and large, what is considered good business practice in Canada also applies when doing business in Italy. Business people in Italy also appreciate prompt replies to their enquiries, and they expect all correspondence to be acknowledged.

Before embarking on a business venture to tap the market in Italy, the review of travel guides would be especially helpful. These guides contain useful hints on cultural differences and business protocol.

Every Canadian traveller must have a valid passport. No visa is required of Canadian citizens visiting Italy for less than 3 months, but one is required for longer stays. A Canadian citizen entering for permanent residence must register as soon as possible after entering the country. Application for a Stay Permit (Permesso di Soggiorno) is made at the local police station and is valid for two years. Canadian citizens planning to work in the country must first obtain a work permit. The permit is to be presented to immigration upon arrival. Work permit approval must first be obtained by the Italian employer and is usually granted only for specialized work or skills. Management and skilled workers have no difficulty in obtaining work permits. The Italian employer files an application at a Provincial Labour Office which then authorizes an Italian Consulate in Canada to issue a work visa to the prospective employee. The application process should be initiated 3 to 4 months before it is needed.

A person seeking to work in Italy in an independent or self-employed capacity, files an application directly with the Italian Consulate, along with needed credentials demonstrating experience in the field of work.

Italy has a very low rate of violent crime, little of which is directed toward tourists. Petty crime (pickpocketing, theft from parked cars, purse snatching) is a significant problem, especially in large cities. Most reported thefts occur at crowded tourist sites, on public buses, or at the major

railway stations, including Rome's Termini, Milan's Centrale, Florence's Santa Maria Novella, and the Centrale in Naples.

Italian holidays must be taken into account when planning a business itinerary. July and August are poor months for conducting business in Italy since most business firms are closed for vacation during this period. The same is true during the Christmas and New Year period. Italian commercial holidays are listed in Table 6 and are the official statutory holidays when most commercial offices and banks are closed. Certain other days are celebrated as holidays within local jurisdictions. When an Italian holiday falls on a Saturday, offices and stores are closed.

**Table 6:
Holidays**

| | |
|-------------|-------------------------------|
| January 6 | Epiphany |
| March/April | Easter Monday |
| April 25 | Anniversary of the Liberation |
| May 1 | Labour Day |
| August 15 | Assumption Day |
| November 1 | All Saints' Day |
| December 8 | Immaculate Conception |
| December 25 | Christmas Day |
| December 26 | St. Stephen's Day |

Patron Saint Day is observed in the cities listed in Table 7.

**Table 7:
Patron Saint Day, by City**

| | |
|-----------------|------------------------------|
| Florence | |
| June 24 | St. John's Day |
| Rome | |
| June 29 | St. Peter and St. Paul's Day |
| Palermo | |
| July 15 | St. Rosalia's Day |
| Naples | |
| September 19 | St. Gennaro's Day |
| Milan | |
| December 7 | St. Ambrogio's Day |

Business Infrastructure

Italian is the official language and is spoken in all parts of Italy, although some minority groups in the Alto Adige and Aosta regions speak German and French, respectively. Correspondence with Italian firms, especially if the letter is the first one sent, should be in Italian. If a reply comes in English then the subsequent correspondence with the Italian firm can be in English. The use of Italian is not only regarded as a courtesy, but assures prompt attention, and prevents inaccuracies which might arise in translation. Most large commercial firms, however, are able to correspond in various languages in addition to English and Italian, but a business overture or proposal is given more serious attention if written in Italian.

The importance of having trade literature, catalogues, and instructions for the use of servicing of products printed in Italian cannot be over-emphasized. The agent representative in Italy who has such material is in a far better competitive position than the one who can only show prospective customers and consumers literature in English.

The usual Italian business hours are from 8 or 9 a.m. to noon or 1 p.m. and from 3 to 6 or 7 p.m. Working hours for the various ministries of the government are normally from 8 a.m. to 2 p.m. without intermission. Bank hours are from 8:30 a.m. to 1:30 p.m. and 3:00 to 4:00 p.m.; they are closed on Saturdays.

With the ease of telephone communications, international calls are frequently the best method of arranging appointments and maintaining solid commercial relations. Fax machines have increased the speed and ease of international communications and should be used to maintain strong business ties. The Italians are usually adept at handling business calls in English, but you must be prepared to expect some language differences and be able to make simple requests in Italian. The time zone for Italy is 6 hours ahead of the Canadian eastern standard time. Phoning from Canada requires the country code prefix 39 followed by the city code. Long distance calls made from within Italy require the city code preceded by 0. Milan's city code within Italy is 02. Calls to Milan from outside Italy require country code 39 followed by city code 2 and the phone number.

Medical services are excellent and hospitals compare with those in Canada. Common medical needs are readily obtained, and special supplies are normally available on short notice. An international certificate of vaccination is not required for travellers from Canada. Drinking water is acceptable, most pharmaceutical products are available, and sanitation is at Canadian standards.

Conservative business attire is recommended at all times. Business appointments are also required, and visitors are expected to be punctual.

There is solid sales potential for Canadian goods and services in the Italian market. It is a highly competitive market and the Canadian exporter must keep certain factors in mind to achieve maximum success. The "golden keys" of customary business courtesy, especially replying promptly to requests for price quotations and to orders, are a prerequisite for exporting success.

In general, European business executives are more formal than their North American counterparts; therefore, it is best to refrain from using first names until a solid relationship has been formed. During the first stages of conducting business, it is best to let the prospective buyer take the lead since the North American approach of "getting down to business" may be considered abrupt. Avoid commenting on political events or negative comments about the country. Some positive and sincere observations about the Italian culture, style, art, history, cuisine, or music are always appropriate. Italian business executives like titles, indicating positions in the firm. Friendship and mutual trust are highly valued, and once a Canadian has established this relationship, a productive business association can usually be counted upon.

Italian buyers appreciate style, quality, and service, but are also interested in delivered price. Care must be taken to assure that stated delivery dates will be maintained and that after-sales service will be promptly honoured. Italians, and Europeans in general, are concerned that after placing an order with a supplier, the delivery date be honoured. While there are numerous factors that may interfere with prompt shipment, the Canadian exporter must allow for additional shipping time and keep in close contact with the buyer. Meeting delivery schedules is of prime importance. It is much better to quote a later

delivery date that can be guaranteed than promise an earlier delivery that is not completely certain.

The basic monetary unit is the lira (plural: lire) and is usually indicated as L or Lit.

Major credit cards are usually accepted with proper identification, such as a passport but visitors should always ask if a particular card is accepted prior to ordering meals or making hotel reservations. Travellers cheques are accepted, but visitors should first enquire on the policy of the bank, hotel, or store before attempting to use them.

Canadian exporters should maintain close liaison with distributors and customers to exchange information and ideas. In most instances, mail, fax, or telephone communication is sufficient, but the understanding developed through periodic personal visits is the best way to keep distributors apprised of new developments and to resolve problems quickly. Prompt acknowledgement of correspondence by airmail or fax is recommended.

Distribution and Sales Channels

Canadian business representatives will find that selling in Italy offers new challenges, but no overwhelming problems. While some commercial practices may differ from those in Canada, most will be very familiar. The system of retail and wholesale distribution, for instance, centres on small family-operated stores, although the supermarket-type operation has gained importance and there are a number of substantial department store operations.

With a population of 58.2 million in 1995, the Italian retail distribution sector is large in total sales although it serves the consumer at the retail level through numerous small, family-owned, retail outlets rather than large, mass-market operations. The market offers many commercial opportunities because of the large sales volumes and a lack of competitive companies.

In order to satisfy Italian consumers, firms operating in the Italian retail distribution sector find that they must invest large amounts of money in new techniques, management, research, media promotion, and equipment. The industry's average return on investment is approximately 13 percent. In terms of existing points of sale, there is a trend

from the family-type stores and street vendors to the distribution chains. Italian distribution systems include small family-owned stores, street vendors, hypermarkets, shopping malls, specialized stores and discount stores.

Italy has a variety of importers, sales agents, and distributors well versed in all aspects of international trade. Many goods are handled by importers who purchase for their own account and distribute throughout the country and Europe. Because of the size, accessibility, and competitive nature of the Italian market, importers may insist on an exclusive distributorship. If the importer is a well-qualified and successful firm, an exclusive distributorship often yields the best results.

Wholesalers constitute an important segment of the importers doing business in this manner. They are the primary source of supplies for the small- and medium-sized retail outlets, which often find it impossible to buy directly from manufacturers that require large orders.

Purchasing associations are formed by independent retailers. These associations combine purchasing power and operate their own warehouses, thus performing a function similar to the wholesaler.

There are many commission agents and brokers in Italy serving the domestic and European markets. An Italian representative can often provide an excellent starting point in exporting to Southern Europe, Eastern Europe, or North Africa. The Italian firm can easily handle the logistics, linguistics, trans-shipment, and stocks on behalf of the Canadian firm. However, if the Canadian firm desires these activities to be performed, they should be explicitly stated in a contract or sales agreement.

If the product normally has a high sales volume and low profit margin, the Italian firms seek to deal directly with the manufacturer. Sales to a department store, chain store, or end-user often give best sales results, but require greater promotional effort by the Canadian exporter. The direct sales method eliminates the added shipping and warehousing expenses, but the Canadian exporter and Italian importer must handle the shipping formalities and work harder to ensure a successful business relationship.

Finding a Partner

The marketing of products in Italy is accomplished through a variety of channels, depending on the nature of the product, the sales territory to be covered, the type of buyer, and the sales promotional activities required. Brokers, commission merchants, and independent representatives are used extensively for the sale of raw materials, semi-finished products, and capital goods to the larger manufacturing organizations. However, well-established distributors are normally employed to reach industrial firms, as well as the large number of wholesalers and retailers engaged in the marketing of consumer goods.

Agency contracts are governed by the Italian Civil Code and by a number of other legislative decrees. An Italian agent for a foreign firm is generally regarded as being authorized to act for the firm. Depending on the contract, the principal may be subject to termination compensation payments and to income taxes and other levies on sales effected through the agent.

Under distributorship arrangement, the local distributor takes title of the merchandise and assumes the risks, and has the obligation to pay any taxes. Distribution agreements are subject only to the terms of the contract itself. There are no laws or regulations currently in effect in Italy providing for advance notice of termination, termination compensation, or social security payments in connection with these agreements.

Frequently, a distributorship agreement provides for exclusive sales rights. There is nothing in the Italian law preventing exclusive arrangements in all or part of Italy. However, if these agreements provide for exclusive sales rights in all or part of the EU, they should be examined carefully, and with the assistance of a competent international lawyer, in light of the antitrust provisions of the EU regulations.

Italy represents a large and affluent market where language and personal relationships are valued when conducting business transactions. Canadian firms have found that relying on local Italian sales agents or distributors, who have the contacts and understand the market, can most effectively develop sales.

It is important to obtain specific legal advice on appointing an agent or distributor, but some general guidelines follow. Italy implemented the EU directive 86-653 in October 1991, so Italian agency law is now in conformity with EU requirements. All agent agreements should be in writing and state the marketing area and any exclusive arrangements. Termination of the relationship is the area that most frequently causes problems for Canadian exporters.

Generally, the civil codes protect the interests of the representative. In the absence of termination provisions in a written agreement, the law provides for a minimum notice of termination of 1 month during the first year of the agreement, 2 months during the second year, 3 months for the third year, 4 months for the fourth year, 5 months for the fifth year, and 6 months for the sixth and further years.

Parties may agree to other terms, provided the notice of termination is not less than the above. An agreement with a definite period terminates on the agreed expiration date. If the parties continue to operate under the agreement after that date, the agreement becomes an agreement of indefinite term, which can be terminated in accordance with the above notice periods. If the Canadian principal wants to terminate the relationship, notice of termination should be given, even with a definite term contract.

The termination of an agreement without the required notice makes a foreign principal liable for compensation. The Italian sales agent could seek to claim the amount of the commissions that would have been earned during the termination period or for the amount of actual damages suffered. In exceptional cases, and only for just cause (such as competition or fraud), an agreement may be terminated without notice provided the other party is immediately advised of the reason. In such cases, the courts may be requested to terminate the contract.

At the expiration or termination of an agreement, by whatever means, an agent who has increased the value of the business is entitled, in principle, to an adequate remuneration which cannot exceed the average of the commissions in 1 year. Such claims by agents are subject to an expiration term of 1 year.

Three kinds of distribution agreements are commonly used:

- exclusive distributorships, where the distributor has the sole right to sell specified goods within a defined area;
- quasi-exclusive distributorships, where the distributor sells almost all the specified products within a defined area; and
- informal distributor arrangements under which the grantor imposes heavy obligations on the distributor and which would cause damage to the distributorship if the grantor terminated the agreement.

The introduction of products into the Italian market should come after the Canadian exporter has planned and reviewed the consumer and business environment. Product representation throughout Italy is facilitated by the unified and compact market and may be achieved with any of the following distribution methods to cover the entire area, depending on the expected sales volume, product support requirements, and marketing techniques. However, these methods must be applied with the Canadian exporter being mindful of the advantages a local representative would have in serving the home market:

- establishing a sales office to serve the entire country and provide a distribution base for Western Europe;
- selling through an agent or distributor whose activity may cover specified areas, the entire country, or include European-wide sales;
- selling through established wholesalers or dealers; or
- selling directly to department stores, chains, retailer cooperatives, consumer cooperatives, or other purchasing organizations.

The Canadian exporter would be ill-advised, after having appointed a representative firm, to provide only product literature and samples and then expect to have good sales results. Regular communications and visits to the representative, particularly when newly appointed, by seasoned sales personnel or company technicians can reveal information on market developments and assist in the solution of any problems. Regular submission

of sales reports can be a vital link to analyzing sales results and identifying potential problems before they occur. Italian firms can purchase products and services from international sources and have come to expect well-designed, high-quality products, with efficient after-sales service. An effective after-sales servicing system should also be incorporated into distribution plans.

The Canadian exporter seeking an Italian sales agent should ideally visit Italy to make an appraisal of the relative merits of the prospective agent. Besides acquainting the Canadian exporter directly with local market conditions and special sales characteristics, a visit also provides an opportunity to discuss policy and sales campaigns with the potential agent, and to review responsibility for customs fees, taxes, labelling, business procedures, and payments. These responsibilities should always be clearly defined before undertaking a long-term relationship.

Joint Ventures and Licensing

A joint venture (Associazione in Partecipazione) involves the participation by a supplier of capital in the profits of the business. The operator manages the business and is solely responsible for the obligations it assumes toward third parties. The person supplying the capital is responsible for any loss in direct proportion to its share in the net profit, limited to the amount of its original investment.

Joint ventures can be for one-time defined transactions with a definite duration (contractual joint venture) or a permanent cooperation between separate groups through the incorporation of a joint-stock company (corporate joint venture). Corporate joint ventures are now seen frequently in Italy.

Licensing in Italy allows foreign entities to profit from technology transfers of a formula, process or patent without the need to invest substantial capital. The Italian government imposes no exchange control limitations on the transfer of royalties abroad. Protection over the use and ownership of the technology transferred should be included in the terms of the licensing agreement.

Establishing an Office

A foreign citizen wishing to establish temporary or permanent residence in Italy to administer a

business or to manage a corporation **should** obtain a business visa for this purpose **from one** of the Italian Consulates in Canada. All **individuals** or firms in business in Italy must be **registered** with the local Chamber of Commerce.

This is a quasi-government office, **operating** essentially as a field office of the **Ministry** of Industry and Commerce. To **register** with this office, an agent for a foreign **company** must produce a power of attorney duly **notarized** by an Italian consular or diplomatic official in the country of the principal.

Selling Factors and Techniques

Direct purchases of imported goods occur frequently in Italy with wholesalers and large retailers seeking to obtain the lowest cost from the manufacturer. Certain raw materials and some industrial machinery and equipment having limited markets are purchased by the end-users directly from foreign manufacturers or suppliers. Voluntary associations of food retailers and food wholesalers make substantial purchases directly from domestic or foreign manufacturers.

Wholesale establishments are numerous in Italy, but most of these are still small firms. Their scope is limited to selling only to small retailers who are not in a position to buy directly from manufacturers. The larger retail outlets customarily purchase from local wholesalers only those items that they sell in small quantities. Many of the larger wholesalers in Italy **are** familiar with foreign trade practices and **procedures** and sell their goods on a country-wide basis.

Retail trade is still dominated largely by small individual outlets run by the owner with the help of family members or with one or two paid assistants. Small firms are expanding and are adopting new merchandising techniques. Modern retail outlets, however, such as department and self-service stores, have been increasing rapidly, particularly in the cities.

Advertising and Promotion

Advertising in Italy has grown rapidly in volume, importance, and sophistication. This growth in advertising has been accompanied by a proliferation of advertising agencies and an expansion of

services. Along with Italian-owned agencies, there are joint ventures with other European or North American firms. While some agencies specialize in specific services and media, a large number of full service agencies deal with all advertising aspects and have market research facilities.

The following is a breakdown of media use: newspapers, 35 percent; magazines, 35 percent; radio and television, 22 percent; movie strips, 2 percent; and other methods, 6 percent.

The main means of product advertising in Italy is through the daily newspapers. Newspapers work closely with advertising firms, both Italian and foreign. However, since the newspapers themselves do not maintain advertising departments, advertising firms must place their ads with special agencies commissioned by the papers to receive advertising for them.

Of about 90 daily newspapers in Italy, only 12 or so are read throughout the country, and while some 230 Italian and foreign periodicals are on sale in Italy, only about 20 have a large circulation.

Italy is served by 8 nationwide television networks, of which 3 are operated by state-owned Radiotelevisione Italiana (RAI), a government-regulated company in which the state owns a majority interest. Three networks are owned by The Mediaset Group and two by the Cecchi-Gori Group. All networks carry 14-18 minutes of commercials per hour. In addition, some 100 private television stations are licensed for local broadcasting.

There are 3 radio stations owned and operated by RAI. These 3 radio stations have a combined air time of over 340 hours weekly, and commercial time is available. In addition to the 3 stations, there are numerous local radio stations.

Wide use of film clips is made for advertising purposes. There are some 10,000 motion picture theatres and many regularly show advertising. The rates for advertising vary according to the showing time and class of the theatre. Advertising is shown during every intermission. Therefore, this medium may be used to reach a wide market and cut across economic strata.

Poster advertising is handled by a number of specialized companies, as is electric sign

advertising, which is subject to special regulations. Poster advertisements on walls, along streets, in street cars, buses, and other means of transportation are used to reach the consumer market. Both posters and billboards are subject to the approval of provincial authorities and to payment of a tax on poster advertising.

Show window advertising is extensively used in Italy. Displays are usually attractively done and show prices of the items for sale. Advertising flyers are in common use, and street banners are used also for special occasions. Loudspeakers are used for advertising at sporting events. Direct advertising, through the distribution of gifts, samples, and price reduction coupons, is frequently used to interest consumers.

Trade fairs and exhibitions are a cost-effective method to enter a foreign market and meet a wide range of buyers interested in a particular industry sector. Sales professionals find that trade fairs attract extensive buyer attendance and can frequently be used to gauge acceptance and pricing of new products and to observe the competition. In the course of a few days, a new market entrant may be able to generate more qualified and motivated prospects than by using any other sales approach. Also, fairs are useful for finding an agent, distributor, or representative.

Pricing Products

When providing the Italian buyer with a price quote, Canadian firms most frequently provide a quote that includes packing costs, insurance, and freight — the c.i.f. price. The average Italian business representative can then usually determine the charges for customs, taxes, and local transportation to arrive at the final landed cost.

The customary terms of sale in Italy are either cash or net. Sales made on cash terms call for payment before delivery, on delivery, or shortly after delivery, usually within 10 days from the date of delivery. A 2- to 5-percent discount is made for payment of the full amount of the transaction at the end of the specified period from 1 to 4 months from the date of the invoice. The length of the period depends on the commodity involved, the credit standing of the buyer, and the motivation of the seller. A period of up to 2 years is often

allowed for payment of capital goods, store equipment, trucks, and similar heavy equipment.

Italian firms indicate that some North American suppliers are too rigid in their payment terms and have thus lost business to other suppliers because of their rigidity. Financing is considered as much a competitive factor as the product itself, the delivery date, or after-sales service.

While some Canadian manufacturers request payment upon receipt of the goods, more successful sellers are offering terms allowing settlement of the account from 60 to 120 days following receipt of the order.

The use of irrevocable letters of credit for the Italian market has declined appreciably in recent years. Although such instruments are still required by Canadian exporters, especially when the Italian customer's credit reputation is not well known, the growing reluctance of Italian firms to provide letters of credit has required Canadian exporters to utilize other methods to assure payment or lose the sale to other suppliers in the competitive Italian market. The Italian business person is reluctant to pay a high fee for a letter of credit when other suppliers or means of payment are available. Canadian firms have put to greater use the export credit insurance and guarantee programs available through the Foreign Credit Insurance Association (FCIA).

Sales Service and Customer Support

A Canadian company that is successful in Italy becomes so because its products are marketed with the same diligence employed in the Canadian market.

Whether the firm establishes a manufacturing operation or a sales branch, or appoints a commission agent, a stocking distributor, or a combination agent or distributor, the Canadian exporter must make a long-term commitment to exporting and follow sound marketing practices in order to sell successfully in the Italian market. A key factor in this commitment to serving the overseas buyer is the local stocking of parts and giving priority to immediate air shipments on request of the European customer.

A Canadian company that is entering the competitive Italian market is advised to commit

the resources needed to market the products properly and establish long-term sales to **achieve** maximum sales volume. The appointment of a resident representative is extremely **important**. For promotion of business and knowledge of the market, there is no effective alternative to a resident representative who is part of the **local** business community and readily available to customers. Having a local representative is particularly important when the product is complex and may be expected to require follow-up servicing or modification. Local representatives are familiar with the product and needs of the customer and are in a position to solve problems. Personalized service is frequently demanded by customers, creates goodwill, and often stimulates repeat sales. Technical manuals and promotional literature should be in Italian. Italy is a competitive market where a reliable supplier is important. Local representatives with solid reputations and promotional material in **Italian** reflect a commitment to customer service and the prestige of the Canadian firm.

Selling to the Government

The Italian government does not typically purchase goods and services abroad unless those cannot be procured locally through domestic sources, which would include subsidiaries, branches and agents of Canadian companies. **In** order to be considered as a source for Italian government purchases, it is recommended **that** the Canadian firm be represented by an agent or distributor rather than try to deal directly to Italian government agencies.

Each of the Italian agencies maintains its **own** list of contractors and suppliers. Therefore, **Canadian** firms need to contact each agency directly to establish its eligibility. Canadian companies **must** first establish their financial and technical capabilities by presenting these directly to the Italian agencies.

It is important to note that the Italian Government is very slow in paying its suppliers - current payment schedule is over 400 days. In **some** cases, specific government agencies will pay **minimum** interest on the delay (2 to 3% yearly) but **this** is unusual. This fact should be taken into account when providing components or subsystems for

goods that will be supplied to the Government as the client may (legally) justify failure to pay a supplier through not having been paid by the Government.

Protecting Your Intellectual Property

Italy is a member of the Paris Union International Convention for the Protection of Industrial Property (patents and trademarks) to which Canada and about 85 other countries adhere. Canadian citizens generally are entitled to the same treatment (national treatment) in acquiring and maintaining patent and trademark protection in Italy as an Italian citizen would be. In addition, after filing a patent application in Canada, a Canadian citizen is entitled to a 12-month period within which to file a corresponding application in Italy and receive in Italy the benefit of that first Canadian filing date (rights of priority). The priority right filing period for trademarks is 6 months.

The principal laws governing patent protection are Royal Decrees No. 3731 of October 30, 1859, No. 1127 of June 29, 1939, Law No. 633 of April 22, 1941, and Presidential Decree No. 338 of June 19, 1979. Decree 338 amends the former Italian legislation and implements the European Patent Convention. To be patentable, an invention must be novel, i.e., it cannot have been available to the public anywhere else before the date of the filing or of the priority claimed.

Patents are granted for 15 years from the effective filing date of application. They are assignable and transferable. A patent can be subject to compulsory licensing if not worked within 3 years from the date of granting or 4 years from the filing date of application, whichever is later. The introduction or sale in Italy of items manufactured in foreign countries does not constitute working of the invention. (This provision is currently being reviewed to ensure compliance with Italian Uruguay Round Trips obligations.)

Licensing and technical assistance agreements with foreign firms are encouraged by the government. The foreign exchange necessary to effect payment abroad of bona fide royalties and technical assistance fees can be obtained simply upon application to the Italian Exchange Office through a bank. Applicants are required to produce the original contract with the foreign concern and

to submit a certified copy of such a contract. A certificate confirming the validity of the patent should also be submitted in the event that the contract provides for the use of patents.

Annual taxes must be paid each year during the period an Italian patent is in force. These taxes are progressive and range from lire 1,000 for the first year to lire 35,000 for the 15th year.

The principal trademark registration laws are Royal Decree No. 929 of June 21, 1942, and Presidential Decree No. 795 of May 8, 1948. Some types of terms are not registrable as trademarks, such as those deemed to be generic, those containing false indications of quality or origin of goods, and those similar terms already registered by others in Italy or for which applications are pending. For some goods, geographic names may not be used in trademarks nor can the photographs of persons be registered without their consent.

Trademark applications are examined for acceptability of their format and consistency with the laws. If an application is in order, the mark will be registered. There is no opportunity for opposition and the first applicant is entitled to registration. However, any other person who claims to be the first user of the mark in Italy can have the prior registration cancelled, provided one can prove the claim. No claim of prior use can be made after the registered mark is 5 years old.

Trademarks are registered for 20 years from the effective application filing date and are renewable for similar periods. Failure to use a mark within 3 years after its registration can result in cancellation. Trademarks may be assigned to other users provided such action does not involve deceptive trade practices.

Italy is also a signatory to the European Patent Convention, which provides for a centralized European-wide patent protection system (Italy has not yet ratified the convention). The European Patents Act of 1977 provides increased legal protection, a patents court, and guidelines for compensation of an inventor. Under the European Convention, an applicant for a patent is to be granted a pre-examined 15-year, non-renewable European patent that has the effect of a national patent in all 16 countries that are signatories of the

convention, based on a single application to the European Patent Office. This procedure should expedite the granting of patents. However, infringement proceedings remain within the jurisdiction of the national courts, which could result in some divergent interpretations. Further information may be obtained from the European Patent Office, Motorama-Haus, Rosenheimer Strasse 30, Munich, Germany.

Need for Local Legal Assistance

Canadian companies interested in setting up agencies, distributorships, licenses or joint ventures are encouraged to seek professional legal advice and counsel.

Regulatory Issues

In the areas of standards and standards setting, Italy has been slow in accepting test data from foreign sources, but is expected to adopt EU standards in this area.

Prior to signing a long-term contract or sending a shipment of considerable value, it may be prudent for a Canadian exporter to first obtain an official ruling on the customs classification, duty rate, and taxes. Such requests should be sent to: Ministry of Finance, Rome, Italy. The request should describe the product, the material it is made from, and other details needed by customs authorities to classify the product correctly. While customs will not provide a binding decision, the advance ruling usually will be accepted if the imported goods are found to correspond exactly to the full description provided when requesting the ruling.

With the exception of a small group of largely agricultural items, practically all goods originating in Canada can be imported without import licenses and free of quantitative restrictions. There are, however, monitoring measures applied to imports of certain sensitive products. The most important of these measures is the automatic import license for textiles. This license is granted to Italian importers when they provide the requisite forms.

EDC Financial Risk Assessment

The Export Development Corporation (EDC) helps Canadian companies compete in world markets through the provision of financial and risk management services. These include export credit

insurance, financing to foreign buyers of Canadian goods and services, and guarantees.

The following information was obtained from the EDC Country Risks and Opportunities book (fall, 1996).

Current Market Conditions

The Italian economy, which registered the strongest growth in the industrialised world in 1995, was close to recession in 1996. Slumping exports, low consumer demand and substantial de-stocking resulted in declines in output in the fourth quarter of 1995 and the second quarter of 1996, interrupted by meagre growth in the first quarter of 1996. External demand conditions worsened as a consequence of the strong lira and an appreciable economic slowdown among Italy's main European trading partners. Domestic demand has been held back by the Bank of Italy's highly restrictive monetary policy. While the Bank of Italy's belated cut to its discount rate of 0.75 points to 8.25 percent in July 1996, the first cut in 14 months, will bring some nominal relief to Italy's ailing economy, output growth has been dramatically revised downwards and may come in at less than 2 percent in 1997.

The fiscal stance will remain restrictive and will hold the economy in check. The weaker than expected economic performance has hurt tax inflows and at the same time has led to more unemployment benefit payments. This is in addition to the government dealing with the effects of large payments shifted from the 1995 to the 1996 budget and the possibility of advancing disbursements in 1996 normally due in 1997, in order to make it easier to reduce the deficit (GDP ratio to meet the Maastricht target of 3 percent) in 1997. The Organization for Economic Cooperation and Development (OECD) estimates that the public deficit/GDP ratio will be reduced, but to only 6.4 percent in 1997, from about 6.7 percent in 1996, and the government will continue to have the highest debt (GDP ratio among the G-7 countries at 125 percent).

The household sector will remain depressed. Consumer confidence is low because of continuing political uncertainties, cuts in the social security and national health budgets and high unemployment. A gradual turnaround in these

negative factors is expected to lead to a modest recovery in private consumption spending in 1997. Residential spending was expected to recover somewhat in 1996 and 1997.

The strong investment drive has tapered off. Private sector capital investment spending has responded to the recent worsening in external demand conditions by moderating from the excellent rate of growth of 11.6 percent in 1995 to an estimated 5 percent in 1996 which is projected to further moderate to about 4.5 percent in 1997.

Credit Quality Trends

Credit quality conditions in export-dependent corporate Italy have quickly gone from boom to bust. However, after an improvement in the first half of 1995, there were signs of deterioration in the second half as the number of bankruptcies rose 1.7 percent compared to the second half of 1994. In the industrial sector, bankruptcies declined by 6.2 percent to 5.2 thousand for all of 1995, while the construction industry saw an increase of 6.9 percent. The number of bankruptcies decreased in central and northern Italy but was on the increase in the south. In southern Italy nearly one fifth of companies are not able to keep up with debt payments to the banks. The area is also characterised by crises in the banking and construction sectors. The sharp decline in export sales since the fourth quarter of 1995 led to an undesirable accumulation of finished goods, declining business optimism and a deterioration in corporate financial health through the first half of 1996.

Strengthening sales and higher prices led Italian industry to its most profitable year for 10 years in 1995. A report by merchant bank Mediobanca covering 1,746 firms showed companies in the survey had an aggregate profit of US\$7.6 billion in 1995, up US\$7.2 billion over 1994. There was a notable contribution from public sector enterprises, as well as from private sector companies. Total sales increased by 13 percent in 1995 over 1994 to US\$358 billion, due to exports. The most significant element contributing to the improvement in Italian industry was a 16 percent increase in productivity. Financial debt declined by about US\$3.3 billion for public companies but increased by US\$4 billion for private ones.

By contrast, Italian industries are alarmed by sharply slumping foreign-based orders, the general decline in industrial production and the requirement for substantial de-stocking since the fourth quarter of 1995 through the first half 1996. It is estimated that while the industrial sector is in recession, the service sectors are still growing. The loss of competitiveness, due to higher

domestic costs and the recent strengthening of the lira, has sharply curtailed the export drive of Italian industry. In addition to the depressed outlook for foreign sales, Italian business are confronted with cost increases in the form of hefty labour wage contract settlements and higher social security charges.

The current environment is in part hampered by Italian banks who are reluctant to pass on the fall benefit of recent interest rate cuts to their customers. Many of the banks are struggling to contain costs in an increasingly competitive

industry. Italian companies indicated in the most recent survey by the state economic research body Isco that they expect a further slowdown in activity in the third quarter of the year. Corporate Italy is beset with a general climate of negative expectations for the remainder of 1996. An improvement in corporate health will be delayed to 1997.

Collection Experience

Aside from Government procurement, most invoices are paid on a 60 to 120 day schedule, even when contracts specify a 30 day schedule. Getting a hearing in a civil court takes around two years, so there is virtually no option except to pester and threaten clients. Knowing the constant liquidity crisis, also because the Government is the worst offender, courts are in any case lenient toward late payers. Cast-iron contracts that include specific interest penalties for overdue payments are always recommended.

CONTACTS

Canada Mortgage and Housing Corporation

Housing Export Centre

700 Montreal Road
Ottawa, Ontario K1A 0P7

Tel.: 1-800-465-6212 or
(613) 748-2000
Fax: (613) 748-2302

Canadian Government Departments and Services

Department of Foreign Affairs and
International Trade (DFAIT)

InfoCentre
Lester B. Pearson Building
125 Sussex Drive
Ottawa, ON K1A 0G2

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(613) 944-4000
Fax: (613) 996-9709
FaxLink: (613) 944-4500
InfoCentre Bulletin Board:
Tel.: 1-800-628-1581 or
(613) 944-1581

Europe Trade Division
Southern Europe (RES)
125 Sussex Drive
Ottawa, ON K1A 0G2

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Canadian Embassy

Via G.B. de Rossi 27
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Canadian Consulate

Via Vittor Pisani 19
20124 Milan, Italy

Tel.: (011-39-2) 6758-1
Fax: (011-39-2) 6758-3900

International Trade Centres

Newfoundland

International Trade Centre
P.O. Box 8950
Atlantic Place
215 Water Street
Suite 504
St. John's, NF A1B 3R9

Tel.: (709) 772-5511
Fax: (709) 772-5093

Prince Edward Island

International Trade Centre
P.O. Box 1115
Confederation Court Mall
134 Kent Street
Suite 400
Charlottetown, PE C1A 7M8

Tel.: (902) 566-7443
Fax: (902) 566-7450

Nova Scotia

International Trade Centre
P.O. Box 940, Station M
1801 Hollis Street
Halifax, NS B3J 2V9

Tel.: (902) 426-7540
Fax: (902) 426-5218

New Brunswick

International Trade Centre
1045 Main Street
Unit 103
Moncton, NB E1C 1H1

Tel.: (506) 851-6452
Fax: (506) 851-6429

Quebec

International Trade Centre
5 Place Ville-Marie
Seventh Floor
Montreal, PQ H3B 2G2

Tel.: (514) 283-6328
Fax: (514) 283-8794

Ontario

International Trade Centre
Dominion Public Building
1 Front St. West
Fourth Floor
Toronto, ON M5J 1A4

Tel.: (416) 973-5053
Fax: (416) 973-8161

Manitoba

International Trade Centre
P.O. Box 981
330 Portage Avenue
8th Floor
Winnipeg, MB R3G 2V2

Tel.: (204) 983-5851
Fax: (204) 983-3182

International Trade Centres (cont'd)

| | | |
|---|--|--|
| Saskatchewan | International Trade Centre The S.J. Cohen Building 119-4 th Avenue South Suite 401 Saskatoon, SK S7K 5X2 | Tel.: (306) 975-5315 Fax: (306) 975-5334 |
| Alberta <i>* Edmonton office is also responsible for Northwest Territories</i> | International Trade Centre Canada Place 9700 Jasper Avenue Room 540 Edmonton, AB T5J 4C3 510-5th Street S.W. Suite 1100 Calgary, AB T2P 3S2 | Tel.: (403) 495-2944 Fax: (403) 495-4507 Tel.: (403) 292-4575 Fax: (403) 292-4578 |
| British Columbia <i>*Vancouver office is also responsible for the Yukon</i> | International Trade Centre 300 West Georgia Street Suite 2000 Vancouver, BC V6B 6E1 | Tel.: (604) 666-0434 Fax: (604) 666-0954 |

Export Development Corporation (EDC)

| | | |
|---|--|---|
| Ottawa | 151 O'Connor Street Ottawa, ON K1A 1K3 | Tel.: (613) 598-2500 Fax: (613) 237-2690 |
| Vancouver | One Bentall Centre 505 Burrard Street Suite 1030 Vancouver, BC V7X 1M5 | Tel.: (604) 666-6234 Fax: (604) 666-7550 |
| Calgary | 510-5th Street S.W. Suite 1030 Calgary, AB T2P 3S2 | Tel.: (403) 292-6898 Fax: (403) 292-6902 |
| Winnipeg <i>*office also serves Saskatchewan</i> | 330 Portage Avenue Eighth Floor Winnipeg, MB R3C 0C4 | Tel.: (204) 983-5114 Fax: (204) 983-2187 |
| Toronto | National Bank Building 150 York Street Suite 810 P.O. Box 810 Toronto, ON M5H 3S5 | Tel.: (416) 973-6211 Fax: (416) 862-1267 |
| London | Talbot Centre 148 Fullarton Street Suite 1512 London, ON N6A 5P3 | Tel.: (519) 645-5828 Fax: (519) 645-5580 |
| Montreal | Tour de la Bourse 800 Victoria Square Suite 4520 P.O. Box 124 Montreal, PQ H4Z 1C3 | Tel.: (514) 283-3013 Fax: (514) 878-9891 |
| Halifax | Purdy's Wharf, Tower 2 1969 Upper Water Street Suite 1410 Halifax, NS B3J 3R7 | Tel.: (902) 429-0426 Fax: (902) 423-0881 |

Italian Government Offices in Canada

| | | |
|-------------------------|---|---|
| Embassy of Italy | 275 Slater Street 21st Floor Ottawa, ON K1P 5H9 | Tel.: (613) 232-2401 Fax: (613) 233-1484 |
| Consul General of Italy | 3489 Drummond Street Montreal, PQ H3G 1X6 | Tel.: (514) 849-8351 Fax: (514) 499-9171 |
| Consul General of Italy | 136 Beverley Street Toronto, ON M5T 1Y5 | Tel.: (416) 977-1566 Fax: (416) 977-1119 |
| Consul General of Italy | 1200 Burrard Street Suite 505 Vancouver, BC V6Z 2C7 | Tel.: (604) 684-7288 Fax: (604) 685-4263 |

Multilateral Organizations

| | | |
|---|--|---|
| World Bank | Washington, DC 20433 U.S.A. | Tel.: (202) 477-1234 Fax: (202) 477-6391 |
| Office for Liaison with International Financial Institutions | Canadian Embassy 501 Pennsylvania Avenue N.W. Washington, DC 20001 | Tel.: (202) 682-7719 Fax: (202) 682-7726 |

Business and Professional Organizations in Canada

| | | |
|---|--|---|
| Italian Chamber of Commerce in Canada | 550 Sherbrooke St. West Suite 680 Montreal, PQ H3A 1B9 | Tel.: (514) 844-4249 |
| Italian Chamber of Commerce of Toronto | 901 Lawrence Ave. West Suite 306 Toronto, ON M6A 1C3 | Tel.: (416) 789-7169 Fax: (416) 789-7160 |
| Alliance of Manufacturers and Exporters Canada | 99 Bank Street, Suite 250 Ottawa, ON K1P 6B9 | Tel.: (613) 238-8888 Fax: (613) 563-9218 |

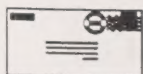
Major Italian Banks in Canada

| | | |
|---|--|---|
| Banca Commerciale Italiana of Canada | PO Box 100, Suite 1800 130 Adelaide St. West Toronto, ON M5H 3P5 | Tel.: (416) 366-8101 Fax: (416) 366-2577 |
|---|--|---|

Canadian Banks with European Regional Offices

| | | |
|---|---|----------------------------|
| Bank of Montreal | D-6000 Frankfurt am, Main 17 Ulmenstrasse 37-39 Frankfurt, Germany 710104 | |
| Canadian Imperial Bank of Commerce European Operations Office | Cottons Centre Cottons Lane London, SE1 2QL, England | Tel: (011-441-71) 234-6000 |
| National Bank of Canada | Representative Office Via Vieziere 11 Milan, Italy 20122 | |
| Royal Bank of Canada AG | PO Box 71 07 14 Lyonner Strasse 15 60497 Frankfurt am Main, Germany | |
| The Toronto-Dominion Bank | Triton Court 14/18 Finsbury Square London, England EC2A 1DB | |
| Hongkong Bank of Canada | 10 Lower Thames Street PO Box 506 London, England EC3R 6AE | |

HOUSING EXPORT OPPORTUNITIES SERIES ORDER FORM



1-800-668-2642
Outside Canada call
1-613-748-2003



FAX TO
1-800-245-9274
Outside Canada
1-613-748-2016

METHOD OF PAYMENT

Check only one (individuals must prepay all orders.)

CMHC
P.O. Box 35005
Stn BRM B
Toronto, ON
M7Y 6E5

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To avoid double billing, please do not send confirmation.

VISA, American Express, and MasterCard.

To avoid double billing, please do not send confirmation. A fax will be treated as an original order.

Please Print

| | | |
|-----------------------------|------------------------|-----------------|
| Name | | |
| Company or Organization | Position Title | |
| Address | | |
| City | Province/State/Country | Postal/Zip Code |
| Telephone Number () | Fax Number () | |

| | |
|---|---|
| <input type="checkbox"/> | Please charge my |
| <input type="checkbox"/> | VISA <input type="checkbox"/> American Express <input type="checkbox"/> MasterCard <input type="checkbox"/> |
| Card Number | |
| Expiry Date | |
| Signature | |
| <input type="checkbox"/> | Payment enclosed \$ |
| Please make cheque or money order payable to CMHC | |

| To Complete See Example on Reverse Side | | 1 | 2 | 3 | 4 | 5 |
|---|---|-----|----------------------|-----------------------------|--------------------|--------------------------------------|
| ORDER NUMBER | REPORT TITLE <small>Please be sure the order number and report title match the listing</small> | QTY | ITEM AMOUNT \$ | TOTAL \$ AMOUNT 1 x 2 | SHIPPING POINTS | TOTAL SHIPPING POINTS 1 x 4 |
| | | | | | 3 | |
| | | | | | 3 | |
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| | | | | |
|---|--|--|-----------------------------|--|
| SOURCE (How did you hear about the product?) TV AD <input type="checkbox"/> <input type="checkbox"/> CATALOGUE NEWSPAPER <input type="checkbox"/> <input type="checkbox"/> FLYER/BROCHURE MAGAZINE <input type="checkbox"/> <input type="checkbox"/> OTHER | Subtotal Column 3 | | A | Subtotal Column 5 |
| | SHIPPING CHOICE ADD Shipping & Handling | | B | |
| | Regular Mail <input type="checkbox"/> Courier <input type="checkbox"/> | | C | |
| | Subtotal (Add A + B) | | D | |
| | ADD GST (7% of subtotal C) | | E | |
| U.S. AND INTERNATIONAL ORDERS Please pay subtotal C in U.S. Funds (do not add GST or PST) | Registration #100756428 | | F | Refer to Shipping and Handling Charges on the back of this form for the shipping and handling amount. SEE EXAMPLE ON REVERSE |
| | Subtotal (Add C + D) | | G | |
| | Quebec residents add PST (6.5% of Subtotal E) | | Total (Add E + F) | |

Shipping and Handling Charges

| Points | Canada Regular Rates | Canada Courier Rates | U.S. Regular Air Rates | U.S. Courier Rates | International Regular Air Rates | International Courier Rates | Europe Courier Rates |
|-----------------------------|----------------------------|----------------------------|------------------------------|--------------------------|---------------------------------------|-----------------------------------|----------------------------|
| 1 | 2.55 | 5.00 | 5.00 | 11.00 | 7.00 | 24.00 | 19.00 |
| 2 | 3.65 | 8.00 | 6.50 | 14.00 | 9.00 | 30.00 | 25.00 |
| 3 to 5 | 5.80 | 11.07 | 8.11 | 30.75 | 12.18 | 63.75 | 47.75 |
| 6 to 10 | 6.18 | 11.07 | 12.46 | 34.75 | 20.61 | 88.75 | 55.75 |
| 11 to 20 | 6.43 | 12.35 | 18.08 | 42.75 | 38.77 | 118.75 | 71.75 |
| 21 to 40 | 6.94 | 14.90 | 23.81 | 58.75 | 64.65 | 193.75 | 103.75 |
| 41 to 60 | 7.44 | 17.62 | 29.48 | 74.75 | 68.12 | 253.75 | 129.75 |
| 61 to 80 | 7.95 | 20.51 | 35.15 | 90.75 | 117.36 | 313.75 | 149.75 |
| 81 to 100 | 8.45 | 23.35 | 40.92 | 106.75 | 146.60 | 373.75 | 169.75 |
| 101 to 120 | 8.96 | 26.20 | 46.59 | 120.75 | 166.71 | 433.75 | 189.75 |
| 121 to 140 | 9.46 | 29.05 | 52.31 | 134.75 | 184.72 | 493.75 | 209.75 |
| 141 to 160 | 9.97 | 31.90 | 58.00 | 148.75 | 207.45 | 553.75 | 229.75 |
| 161 to 180 | 10.47 | 34.75 | 63.71 | 162.75 | 228.92 | 613.75 | 249.75 |
| 181 to 200 | 10.98 | 35.60 | 69.38 | 176.75 | 250.29 | 658.75 | 269.75 |
| 201 to 220 | 11.48 | 40.45 | 75.05 | 190.75 | N/A | 718.75 | 289.75 |
| 221 to 240 | 11.99 | 43.30 | 80.72 | 204.75 | N/A | 778.75 | 309.75 |
| 241 to 260 | 12.49 | 46.15 | 86.49 | 218.75 | N/A | 838.75 | 329.75 |
| 261 to 280 | 13.00 | 49.00 | 92.21 | 232.75 | N/A | 901.75 | 349.75 |
| 281 to 300 | 13.50 | 51.85 | 97.88 | 246.75 | N/A | 958.75 | 369.75 |
| Estimated Delivery times | 2-3 weeks | 5-10 days | 2-3 weeks | 5-10 days | 4-8 weeks | 12 days | 12 days |

Prices Subject to Change

CMHC Return Policy

We will replace damaged materials and correct shipping errors if we are notified within thirty days after you receive your shipment. If an item is not defective or not mistakenly shipped, then it must be returned by you at your cost within thirty days of receipt. It must arrive here in resaleable condition for you to receive credit.

International Note: Most international return shipments arrive damaged. If you received damaged items, contact CMHC at (613) 748-2969. Please do NOT return the damaged items unless we ask.

Example: To complete order form and determine shipping and handling charges

| ORDER NUMBER | REPORT TITLE <small>Please be sure the order number and report title match the listing</small> | 1 QTY | 2 ITEM AMOUNT \$ | 3 TOTAL AMOUNT <small>1 x 2</small> | 4 SHIPPING POINTS | 5 TOTAL SHIPPING POINTS <small>1 x 4</small> |
|---|---|---|---------------------------|---|---|--|
| NHA 8003 | Brazil | 1 | 35.- | 35.- | 3 | 3 |
| NHA 8009 | Western Europe | 2 | 23.- | 46.- | 3 | 6 |
| | | | | | 3 | |
| | | | | | 3 | |
| | | Subtotal Column 3 A 81.- | | | Subtotal Column 5 9 | |
| SOURCE <small>(How did you hear about the product?)</small> TV AD <input type="checkbox"/> CATALOGUE NEWSPAPER <input type="checkbox"/> FLYER/BROCHURE MAGAZINE <input type="checkbox"/> OTHER | | SHIPPING CHOICE Regular Mail <input checked="" type="checkbox"/> Courier <input type="checkbox"/> | | ADD Shipping & Handling B 6.18 | Refer to Shipping and Handling Charges on the back of this form for the shipping and handling amount. | |
| | | Subtotal <small>(Add A + B)</small> C 87.18 | | | | |
| | | ADD GST <small>(7% of subtotal C)</small> D 6.10 | | | | |
| Subtotal <small>(Add C + D)</small> E 93.28 | | Quebec residents add PST <small>(6.5% of Subtotal E)</small> F - | | | | |
| Total <small>(Add E + F)</small> G 93.28 | | | | | | |

U.S. AND INTERNATIONAL ORDERS
Please pay subtotal C in U.S. Funds
(do not add GST or PST)

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